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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000174

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SUBJECT: THAI-BURMA ACMECS PROJECTS OFF TO SLOW START
(C-AL6-01550)

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Classified By: Econoff TLManlowe for Reason 1.4 (b,d)

11. (SBU) Summary: Thai aid projects in Burma, according to local embassy officials, are designed to encourage GOB economic reforms as well as helping those in need. Although the GOB has moved slowly on bilateral projects proposed under the Ayeyarwady/Chao Phraya/Mekong Economic Cooperation Strategy (ACMECS), including proposals for new industrial zones and agricultural training, some private Thai companies claim that their "contract farming" projects in Burma already fall under the ACMECS umbrella. The Thai government hopes to use ACMECS to encourage a more friendly business investment climate in Burma to allow greater market access for Thai companies, but the GOB remains reluctant to make serious commitments. We do not expect the situation to change in the near term. End summary.

Thai ACMECS Objectives in Burma

12. (U) On November 12, 2003, leaders from Burma, Cambodia, Laos and Thailand adopted the Bagan Declaration to create ACMECS. Vietnam joined in 2004. Members endorsed a Plan of Action that included 46 common projects and 224 bilateral projects in the areas of trade and investment, agriculture and industry, transport, tourism, human resources and public health. Bilateral projects identified within the ACMECS framework require further formal agreement between participating governments, but the GOB has delayed progress on several Thai-initiated proposals. In October 2006, the Thai Foreign Minister pledged to continue economic and technical cooperation with Burma under ACMECS. At the mid-term ACMECS Summit in Cebu on January 13, 2007, Burma's Prime Minister, General Soe Win, said Burma would "try to realize the implementation of the goals in 2012."

13. (C) Somjai Taphaopong, First Secretary at the Thai embassy in Rangoon told econoff she is responsible for identifying projects in Burma for RTG support that will help the people and will convey a message to the regime that economic development and social programs can be positive forces. Somjai said Thailand cannot be as openly critical as the U.S.G., "although we share many of the same goals about Burma." As Burma's neighbor, Thailand must find a more subtle way to communicate its views while at the same time protecting Thai interests. According to Somjai, Thai industrial development and contract farming in Burma under ACMECS meet these RTG aims.

Industrial Zones

14. (C) In coordination with the GOB Ministry of Industry, Thailand conducted feasibility studies on three proposed economic and industrial zones in Myawady and Hpa-an (Kayin State) and Mawlamyine (Mon State), with plans to establish Thai-owned factories in those locations to produce garments, shoes, and other consumer products. The RTG goal is to use the factories to reduce the large number of Burmese who cross the border regularly to work at factories just inside Thailand. The Thai government believes these projects will also help reduce poverty and provide sustainable livelihoods by giving Burmese jobs within their own country. However, she noted, implementation at all three sites has been slower than expected due to GOB delays.

Farms for Hire

15. (C) Somjai said that the RTG also intends to establish "contract farming" projects inside Burma. Thai business representatives would provide inputs and training to Burmese farmers to grow crops, which the Thais would buy, transport,

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and sell in Thailand. She said the RTG decided to locate the farming projects away from border areas to create incentives for Burmese farmers to move inland, rather than searching for work in Thailand. She denied that the RTG's principal goal was to grow lower-cost crops to meet domestic Thai demand, insisting that the Thais' true goal is to improve the life of rural Burmese.

16. (C) Although some Thai business reps claim that both their new and ongoing contract farming projects come under the ACMECS umbrella, Somjai refuted the claims and stressed that the GOB had not yet signed a bilateral MOU on contract farming, despite Thailand's repeated urging. The GOB has provided no reasons for the delay, but embassy sources inside the Agriculture Ministry tell us that the GOB is reluctant to pursue this program because ousted PM Khin Nyunt initiated it. Earlier press speculation implied that Burma could serve as a source for millions of hectares of Thai biofuel crop plantations, such as soybeans, but Somjai denied that this was under consideration in the near term.

Urging a Friendlier Business Environment

17. (C) The RTG also wants to use ACMECS to standardize bilateral economic relations, including investment protection and improved foreign access to Burma's productive sectors. Somjai has begun to prepare guidance for the Thai private sector on the economic and investment regime in Burma, and said the RTG hopes ACMECS will provide an avenue to press for more business-friendly regulations. She cited one recent case of a Thai company that invested "millions of dollars" to develop and improve an oil palm plantation in Burma. After the money was spent, the GOB told the investors that foreigners cannot operate plantations, and instead gave the plantation to local developers.

18. (C) Somjai also complained about common practices that created an unfavorable business climate, including long delays in clearing paperwork and the GOB's great resistance

to back up verbal agreements with concrete action or funding.

She noted Burma's agreement to regional infrastructure projects, such as highways and railroads, rarely was supported by any host country financing, forcing Burma's neighbors to foot the bills.

19. (C) Comment: The RTG's motivations for ACMECS agreements advance its own national interests, particularly if they keep Burmese migrants from crossing the border illegally and/or offer protection to Thai business interests in Burma. However, the poor investment climate will stymie progress. The Thai Ambassador told Charge' early on that Thai businessmen would not invest here without guarantees. The RTG does not have the confidence that it would not have to pay ultimately, so does not offer any guarantees. In addition, centuries-long Burmese antipathy and scorn towards Thailand further reduces the prospects for bilateral cooperation. Finally, the Burmese regime does not share Thailand's interest in keeping Burmese in Burma, particularly ethnic minorities along the border. To the Burmese, the minorities are regarded as the enemy. End comment.

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